

HOUSE BILL REPORT

E2SSB 5581

As Reported by House Committee On:
Technology, Energy & Communications

Title: An act relating to the strategic financing of life sciences research.

Brief Description: Establishing the life sciences discovery fund authority.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senators Brown, Finkbeiner, Kohl-Welles, Rasmussen, Prentice, Hewitt, Fairley, Esser, Doumit, Keiser, Haugen, McAuliffe and Shin; by request of Governor Gregoire).

Brief History:

Committee Activity:

Technology, Energy & Communications: 3/29/05 [DPA].

Brief Summary of Engrossed Second Substitute Bill
(As Amended by House Committee)

- Creates the Life Sciences Discovery Fund Authority (Authority) as an agency of the state.
- Allows the Authority to receive funds under the Master Settlement Agreement and leverage those funds with amounts received from public and private sources for the promotion of life sciences research.
- Allows the Authority to make grants to entities for the promotion of life sciences research to be conducted in the state.

HOUSE COMMITTEE ON TECHNOLOGY, ENERGY & COMMUNICATIONS

Majority Report: Do pass as amended. Signed by 10 members: Representatives Morris, Chair; Kilmer, Vice Chair; Crouse, Ranking Minority Member; Haler, Assistant Ranking Minority Member; Ericks, Hudgins, Nixon, P. Sullivan, Takko and Wallace.

Minority Report: Do not pass. Signed by 1 member: Representative Sump.

Staff: Kara Durbin (786-7133).

Background:

In 2001, at the request of Governor Locke, leaders from Washington's research institutions, industry, government, and the community developed the framework of an initiative, known as

"Bio 21," that would capitalize on existing assets at the convergence of the life sciences and information technology. Bio 21 calls for the state to direct a combination of public and private funds to the research sector through Fiscal Year 2018 to support research and commercialization of life sciences and information technology. In 2003, the Legislature provided funds from the Tobacco Master Settlement Agreement to support further development of this initiative.

The Tobacco Master Settlement Agreement is an agreement between 46 states, the District of Columbia, six territories, and five major tobacco product manufacturers. Under the agreement, participating manufacturers agree to make specified payments to the state and agree to abide by extensive public health restrictions on the advertisement, promotion, and marketing of cigarettes. In exchange, the state agreed to release the participating manufacturers from claims by the states. Of that settlement, Washington is expected to receive approximately \$4 billion over a period of 25 years. Money was received under the settlement beginning in the 1999-2000 biennium and has been used to support tobacco prevention and control programs and as support for the Basic Health Plan and other health programs. In the 2002 legislative session, 29.2 percent of the revenue stream from the Tobacco Master Settlement Agreement was securitized, which made available to the state \$450 million.

Summary of Amended Bill:

The Life Sciences Discovery Fund Authority (Authority) is created as a public instrumentality and agency of the state. The powers of the Authority are vested in a board of trustees. The board of trustees is composed of two members of either the House Appropriations Committee or the House committee dealing with technology issues, one from each caucus, and two members of either the Senate Ways and Means Committee or the Senate committee dealing with technology issues, one from each caucus. Seven additional members are appointed by the Governor and confirmed by the Senate, one member of which must be experienced in agricultural research. Board meetings are subject to the Open Public Meetings Act. The Authority is subject to audit by the State Auditor and is advised by the Attorney General. The Authority staff are exempt from state civil service.

The Authority can enter into an agreement with the state to receive the state's strategic contribution payments from 2008 to 2017 under the Tobacco Master Settlement Agreement. The Governor is authorized to assign to the Authority the right to receive these payments. In return for the right to receive the strategic contribution payments, the Authority promises to leverage those funds with amounts received from other private and public sources. The strategic contribution payments do not have to be transferred to the Authority if it does not have a commitment of \$20 million in nonstate contributions and \$10 million in contributions already received. When transferred, the payments are to be deposited into the Life Sciences Discovery Fund.

The Authority also has the power to enter into agreements with public and private entities other than the state to receive funds. In exchange, the Authority promises to leverage those funds with amounts received from other public and private sources.

In addition, the Authority has the power to make grants to entities pursuant to contract for the promotion of life sciences research to be conducted within the state. The Authority shall solicit requests for funding and evaluate the requests by considering the following factors:

- the quality of the proposed research;
- the potential for leveraging additional funding;
- the potential to provide health care benefits;
- the potential to stimulate health care delivery, biomedical manufacturing, and life sciences related employment in the state;
- the geographic diversity of the grantees within Washington;
- evidence of potential royalty income and contractual means to recapture such income; and
- evidence of public and private collaboration.

The income of the fund is not subject to business and occupation taxes. Certain information in grant applications is exempt from public disclosure which, if revealed, would reasonably be expected to result in private loss to the providers of the information.

Amended Bill Compared to Engrossed Second Substitute Bill:

The amended bill broadens the selection pool of trustees to include members from the House and Senate committees dealing with technology issues. It also removes the prohibition on human cloning. In addition, the amended bill removes the requirement that moneys in the Life Sciences Discovery Fund be appropriated by the Legislature.

Appropriation: None.

Fiscal Note: Requested on March 15, 2005.

Effective Date of Amended Bill: The bill contains an emergency clause and takes effect immediately, except for section 15, relating to public records exemption, which takes effect June 30, 2005; section 18, relating to investment earnings, which takes effect July 1, 2005; and section 19, relating to investment earnings, which takes effect July 1, 2006.

Testimony For: The Life Sciences Discovery Fund has three main goals: to keep life science research as an industry; to promote the next generation of predictive, preventive medicine; and to leverage these funds with other non-state funding sources. This fund needs full state funding, a true commitment, in order to adequately leverage these funds with private money. We need to send a strong message that this state is committed to life sciences research.

The Life Sciences Fund Coalition supports and sees value in legislative involvement in the Life Sciences Discovery Fund Authority. The issue of timing, especially in meeting grant

deadlines, is critical. This type of research has the potential to vastly improve health care delivery in this state. All research institutions, both small and large, can participate and receive grant funding. This is part of the building blocks this state needs in order to have a comprehensive approach to biosciences.

The Washington Biotechnology and Biomedical Association strongly supports this bill. Washington State cannot afford to lag behind in the life sciences sector. Fourteen other states have targeted life sciences research; the competition is fierce.

The University of Washington and Washington State University support this bill. The most competitive applications will involve public and private collaboration. The leveraging potential for the Life Sciences Discovery Fund is great. There is a lot of exciting research going on right now in the area of agricultural research, much of which intersects with the life sciences.

Testimony Against: The Washington State Catholic Conference opposes this bill. The Catholic church does support adult stem cell research to help patients who are suffering. We have two main concerns with this bill. First, we have concerns that this type of research is going forward without the ethical implications being resolved. The potential for scientific advancement does not justify destroying embryonic stem cells. Our second concern is fiscal; we believe this money would be better spent on basic health services for low-income people.

The definition of life sciences research is so broad that it may encompass unethical practices such as human cloning. The prohibition on human cloning is not clear enough to prohibit embryonic research and other types of questionable research. Human embryonic research is unsafe and unnecessary. All of this research involves taking a human life, and it is not clear that this type of research will ever be successful. There are not enough human embryos left over in the invitro clinics to do widespread research in this area. The only way to do this is to create embryos specifically for their destruction. It is improper for the state to invest in this area; it amounts to gambling of public funds.

Persons Testifying: (In support) Marc Baldwin, Office of the Governor; Bill Grinstein, Pacific Northwest National Laboratory and Life Sciences Coalition; Linda Hull, Washington Biotechnology and Biomedical Association; Randy Hodgins, University of Washington; and Larry Ganders, Washington State University.

(Opposed) Matt Muckler, Washington State Catholic Conference; Sharon Quick, M.D., American Academy of Medical Ethics; and Bob Higley, Washington Evangelicals for Responsible Government.

Persons Signed In To Testify But Not Testifying: None.